

Message Text

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ACTION XMB-04

INFO OCT-01 AF-06 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 /045 W
----- 048545

R 140835Z MAR 75

FM AMEMBASSY DAR ES SALAAM

TO SECSTATE WASHDC 7668

USDOC WASHDC

INFO AMEMBASSY NAIROBI

AMEMBASSY ADDIS ABABA

AMEMBASSY BUJUMBURA

AMEMBASSY KIGALI

AMEMBASSY KHARTOUM

AMEMBASSY LUSAKA

AMEMBASSY PORT LOUIS

AMEMBASSY TANANARIVE

AMCONSUL LOURENCO MARQUES

AMCONSUL ZANZIBAR

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DEPT PASS ACTION TO EXIMBANK

E.O.11652: N/A

TAGS: BEXP, TZ

SUBJECT: EXIM FINANCING: TURNKEY RADIO STATION CONTRACT

FOR TANZANIA

REF: A) DAR ES SALAAM 3503 (10/21/74); B) DAR A-52 (3/29/74);

C) DAR 2565 (7/31/74); AND D) DAR 4133 (12/19/74)

1. SUMMARY. TEXAS COMPANY IS FRONT RUNNER TO WIN CONTRACT FOR SMALL RADIO STATION IN TANZANIA. TO RECEIVE CONTRACT, IT WILL NEED ASSURANCES OF EXIM FINANCING AND COMPANY'S REP HAS SOUGHT EMBASSY ADVICE THIS REGARD. EMBASSY NOTES EXIM BANK
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IS MAKING NEW INITIATIVES IN SUPPORT OF US EXPORTS AND ASK

THAT BANK GIVE SERIOUS CONSIDERATION FINANCING RADIO STATION AND, AT SAME TIME, GAIN INITIAL EXPOSURE EXPERIENCE IN TANZANIA. EMBASSY RECOGNIZES EXIM CONCERN REGARDING TANGOV ABILITY TO REPAY LOANS AND ASKS BANK TO CLOSELY EXAMINE TANGOV'S SINGULARLY SUCCESSFUL RECORD FOR OBTAINING BALANCE OF PAYMENTS ASSISTANCE AND ITS SPOT-LESS LOAN REPAYMENT RECORD. END SUMMARY.

2. WE ARE USING EXIM BANK CHAIRMAN'S PRESS STATEMENT OF FEBRUARY 27 WHICH EXPLAINED NEW INITIATIVES TO STRENGTHEN EXIM'S SUPPORT OF US EXPORTS AS GUIDANCE ON GENERAL PRINCIPLES UNDER WHICH EXIM GRANTS LOANS UNTIL RECEIPT SPECIFIC GUIDANCE FOR TANZANIA REQUESTED REF A.

3. US COMPANY, CONTINENTAL ELECTRIC MANUFACTURING COMPANY (CEM), DALLAS, TEXAS, WAS ONE OF 12 BIDDERS TO PROVIDE 100 KW RADIO TRANSMITTER (WHICH IS TO INCLUDE GENERATOR AND STUDIO EQUIPMENT AND ANTENNAS FOR TURNKEY INSTALLATION AT NACHINGWEA, LINDI REGION). CEM'S EAST AFRICA REP, ADVANCE COMMUNICATIONS (ACM), NAIROBI, HAS INFORMED US THAT AMERICAN COMPANY IS NOW ONE OF THREE BIDDERS IN FINAL RUNNING TO WIN CONTRACT. KEY ELEMENT, IN FINAL SELECTION OF FIRM TO PROVIDE EQUIPMENT, IS FINANCING.

4. ACM IN PROCESS OF INFORMING CEM OF STATUS OF ITS BID TO PROVIDE RADIO STATION FOR TANZANIA AND CALLED EMBASSY RE AVAILABILITY OF EXIM FINANCING. ACM DOES NOT WISH TO SPEND ADDITIONAL TIME PURSUING CONTRACT FURTHER IF EXIM FINANCING NOT RPT NOT AVAILABLE. OF OTHER TWO LOWER BIDDERS, ONE IS BRITISH FIRM WHICH, WE UNDERSTAND, IS APPLYING TO ECGD FOR FINANCING. OTHER LOW BIDDER, A JAPANESE FIRM, HAS OFFERED TERMS OF 30 PERCENT DOWN WITH BALANCE OVER THREE YEARS AT 9 PERCENT. JAPANESE FIRM ALSO SEEKING TO LOCATE IDLE JAPANESE YEN CREDITS THAT CAN BE MADE AVAILABLE TO FINANCE PROJECT.

5. COMMENT: SIZE OF PROJECT (#657,906) DOES NOT INVOLVE MAJOR PROJECT FINANCING AND APPEARS TO US TO BE REASONABLE VEHICLE FOR EXIM'S FIRST LOAN IN TANZANIA. RISKS ON THIS LOAN TO TANZANIA, WE BELIEVE, ARE COMPARABLE TO RISKS ON LIMITED OFFICIAL USE

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LOAN TO CENTRAL AFRICAN REPUBLIC IN 1974, WHERE EXIM BANK MADE IT POSSIBLE FOR US COMPANY TO CONCLUDE CONTRACT FOR SIMILAR-PRICED COMMUNICATIONS PROJECT. TANZANIA IS STILL IN MIDDLE OF DIFFICULT BALANCE OF PAYMENTS (BOP) PROBLEM (WHICH WE HAVE REPORTED ON IN DETAIL FOR LAST YEAR). SITUATION HAS DEVELOPED AS WE EXPECTED (REFS B AND C). TWO FEATURES OF ECONOMIC PICTURE IN TANZANIA, WE BELIEVE, SHOULD BE GIVEN FULL WEIGHT IN CONSIDERING WHETHER TO MAKE LOAN TO TANZANIA AS

FOLLOWS:

A) TANZANIA IS ONE OF POOREST OF LDC'S AND, AS WE ANTICIPATED, TANZANIA HAS USED THIS FACT TO GAIN BOP ASSISTANCE FROM DEVELOPED COUNTRIES -- OFTEN ON GRANT BASIS. FOR EXAMPLE, TOTAL AID PROGRAM IN TANZANIA THIS YEAR IN ECONOMIC AND DROUGHT-RELIEF ASSISTANCE AS WELL AS BOP SUPPORT WILL TOTAL ABOUT \$30 MILLION, A THREE-FOLD INCREASE OVER LAST YEAR. OTHER DONOR ASSISTANCE HAS ALSO INCREASED SIGNIFICANTLY IN RESPONSE IN GOOD PART TO TANZANIA'S BOP PROBLEM (REF D). WE NOTE MORE FUNDS HAVE BECOME AVAILABLE SINCE REF D DRAFTED. WE EXPECT THAT TANGOV WILL CONTINUE TO ATTRACT ENOUGH FOREIGN ASSISTANCE TO MEET ITS NEEDS. CONSEQUENTLY, WE BELIEVE US FIRMS TOO SHOULD OBTAIN SOME OF FRUITS, IN FORM OF EXPORT ORDERS, OF TANZANIA'S SUCCESS IN ATTRACTING ECONOMIC ASSISTANCE FROM US AND OTHER AID DONORS.

B) TANZANIA HAS BEEN EXCELLENT CREDIT RISK FOR THOSE COUNTRIES AND BANKS WHO HAVE PROVIDED TANGOV WITH FINANCING IN PAST. TANGOV TAKES GREAT PRIDE IN BEING ABLE TO MEET ITS FINANCIAL COMMITMENTS TO LENDERS. FOR EXAMPLE, BANK OF AMERICA IS INCREASING ITS LENDING FACILITY HERE AND BOA'S LONDON REP (BILLMEYER) MAKES POINT THAT ITS BANKING RELATIONSHIP HERE HAS BEEN AMONG THE BEST. RECENTLY REPRESENTATIVE OF NY BANK WAS IN TANZANIA TO WORK OUT DETAILS OF ECGD FINANCING PACKAGE WHICH SHOULD RESULT IN MILLION-DOLLAR TURN-KEY INDUSTRIAL PROJECT FOR BRITISH SUPPLIERS. AS WE SEE OTHER RESPECTED FINANCING INSTITUTIONS TAKING RISK IN TANZANIA, WE ARE ENCOURAGED, AND BELIEVE WE ARE ON SOUND GROUND, IN RECOMMENDING EXIM MAKE FAVORABLE DECISION ON LOAN SUCH AS PC APPLICATION FOR RADIO STATION PROJECT.

6. EARLY REPLY TO CEM EAST AFRICA REP WILL BE APPRECIATED.

CARTER

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975DARES00775
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750089-0877
From: DAR ES SALAAM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750351/aaaabtmi.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 DAR ES SALAAM 3503, 75 (10/21/7, 75 DAR A-52, 75 (3/29/7
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 01 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 JUL 2003 by BoyleJA>; APPROVED <05 NOV 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXIM FINANCING: TURNKEY RADIO STATION CONTRACT FOR TANZANIA
TAGS: BEXP, TZ
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006